

**City of North Little
Rock
FY 2014-2019
Five Year Financial Outlook**



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Disclaimer:

Investors should not rely upon the Five-Year Financial Outlook to make any investment decisions. The City will provide the Five-Year Financial Outlook to any interested parties, and welcomes and encourages their careful review of this document. Readers are cautioned that the numbers presented in this document are the City's best estimate for the next five years based on facts and factors currently known to the City and do not represent actual performance. No representation is made by the City that, as of the date this document is read, there is not a material difference between the City's actual performance as of such date and the financial data presented in the Five-Year Financial Outlook.

Where We Are Today - Current Budget

The 2014 Budget, approved by the City Council in December of 2013, was balanced by using reserve funds. Before using reserve funds, the budget was short approximately \$1.1 million.

2014 Budget (prior to use of reserve funds)

Projected Revenue - \$58,954,141

Projected Expenses - \$60,112,750

\$1,158,609

As we look forward to the 2015 Budget we estimate the reserve funds available will be approximately \$7.2 million. It is generally recommended that a municipality always has 10% of its general fund budget in reserve.

A more fiscally responsible alternative would be 12.5-15% (\$7.5 – \$9 million) in our unrestricted reserve account.

Budgets for the Next Five Years

Assumptions for Budget Predictions

The following statistics are the estimated revenue and expenses for the City of North Little Rock covering the next five years. In order to provide these estimates, certain assumptions were made and are explained below:

- **1% revenue growth each year:** For the 2014 budget, there was an estimated 0.3% revenue growth;
- **2% expenses growth each year:** This does not include any employee pay raises, new City services, or additional capital projects that require maintenance, but is an assumption that the cost of providing basic City services will rise;
- **Continued transfer of \$12 million from Electric Department each year:** Due mainly to energy efficiency measures and other factors, sales of electricity in 2013 were at 1997 levels. Continuing to transfer \$12 million may not be sustainable over the course of the next five years;
- **Continued use of reserve funds to balance budget.**

Budgets for the Next Five Years*

The projections below show the unrestricted reserve funds for the City of North Little Rock through 2019.

NOTE: The reserve funds will be effectively depleted in 2017.

	2015	2016	2017	2018**	2019**
Beginning Reserve Fund Balance	\$7,259,176	\$5,487,853	\$3,085,668	\$34,047	(\$3,686,012)
Projected Revenue	\$59,543,682	\$60,139,119	\$60,740,510	\$61,347,916	\$61,961,395
Projected Expenses	\$61,315,005	\$62,541,305	\$63,792,131	\$65,067,974	\$66,369,333
Difference	(\$1,771,323)	(\$2,402,186)	(\$3,051,621)	(\$3,720,058)	(\$4,407,939)
Ending Reserve Fund Balance	\$5,487,853	\$3,085,668	\$34,047	(\$3,686,012)	(\$8,093,950)

***Assumptions:**

- 1% revenue growth
- 2% expense growth
- \$12 million from Electric
- Reserve fund used to balance

****For illustrative purposes only. In reality, the City cannot commit to funds that are unavailable due to constitutional restrictions. Additional revenue must be generated, or expenses cut, prior to adoption of the 2018 Budget.**

Where We Are Today – Debt Schedules

The City of North Little Rock currently has several debt obligations that must be considered in the future. This debt will be paid out of apportionment of the Capital Improvement sales tax funds, and therefore does not directly impact our operating and maintenance budget. It is appropriate to see how Capital Improvement money is committed for the coming years and to review the use of debt.

Debt and Schedule of Payment

Use of Funds	Original Issue Date	Original Amount	Payoff Date	Interest Rate	Schedule of remaining payments
Sanitation Trucks	2009	\$1,268,500	Mar-14	2.96%	2014 - \$276,667
Numerous City Projects	2010	\$5,000,000	May-15	2.49%	2014 - \$1,075,925 2015 - \$1,075,925
Baring Cross TIF	2011	\$1,300,000	Oct-16	2.09%	2014 - \$27,170 2015 - \$27,170 2016 - \$1,327,244
Smarthouse Way	2011	\$1,300,000	Mar-16	4.32%	2014 - \$56,160 2015 - \$56,160 2016 - \$1,356,160
Smarthouse Way - Brownsfield	2011	\$767,915	Dec-21	0%	2014 through 2021 \$76,792
Upgrade of Emergency Radio System	2012	\$4,832,625	Dec-16	0%	2014 - \$986,525 2015 - \$986,525 2016 - \$1,973,050
Upgrade of Emergency Radio System	2012	\$49,015	Jan-16	0%	2014 - \$12,354 2015 - \$12,354 2016 - \$12,354

Monthly Sanitation Rate Comparisons

NLR Sanitation offers several services, such as leaf vacuuming, regular bulk item pick-up, and multiple trash containers that are not available in many of the following municipalities.

North Little Rock \$0.00

Bentonville	\$11.54	West Memphis	\$15.50
Springdale	\$13.61	Little Rock	\$24.00
Fayetteville	\$19.96	Jacksonville	\$15.50
Fort Smith	\$13.28	Sherwood	\$16.05
Russellville	\$15.64	Hot Springs	\$19.00
Conway	\$17.00	Texarkana	\$18.72
Jonesboro	.5% Sales Tax dedicated for Sanitation	Pine Bluff	\$11.80

Potential NLR Sanitation Rate Projections*

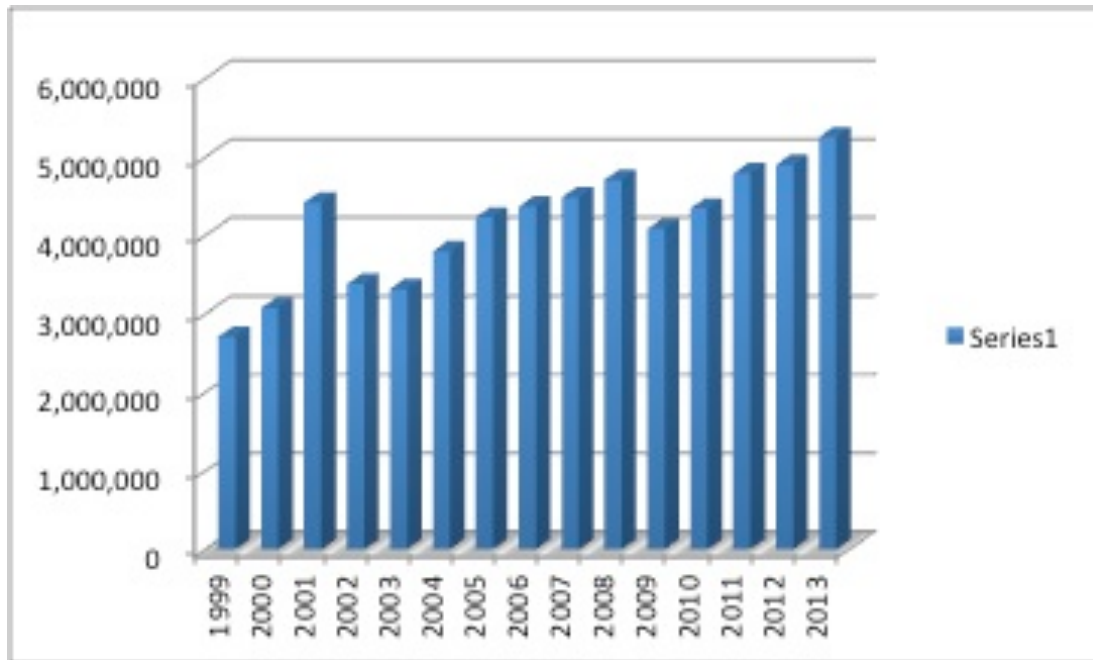
(in addition to current recycle fee)

Monthly Fee	Total Annual Revenue
\$5.00	\$1,375,320
\$6.00	\$1,650,384
\$7.00	\$1,925,448
\$8.00	\$2,200,512
\$9.00	\$2,475,576
\$10.00	\$2,750,640
\$15.00	\$4,125,960
\$20.00	\$5,501,280
\$25.00	\$6,876,600

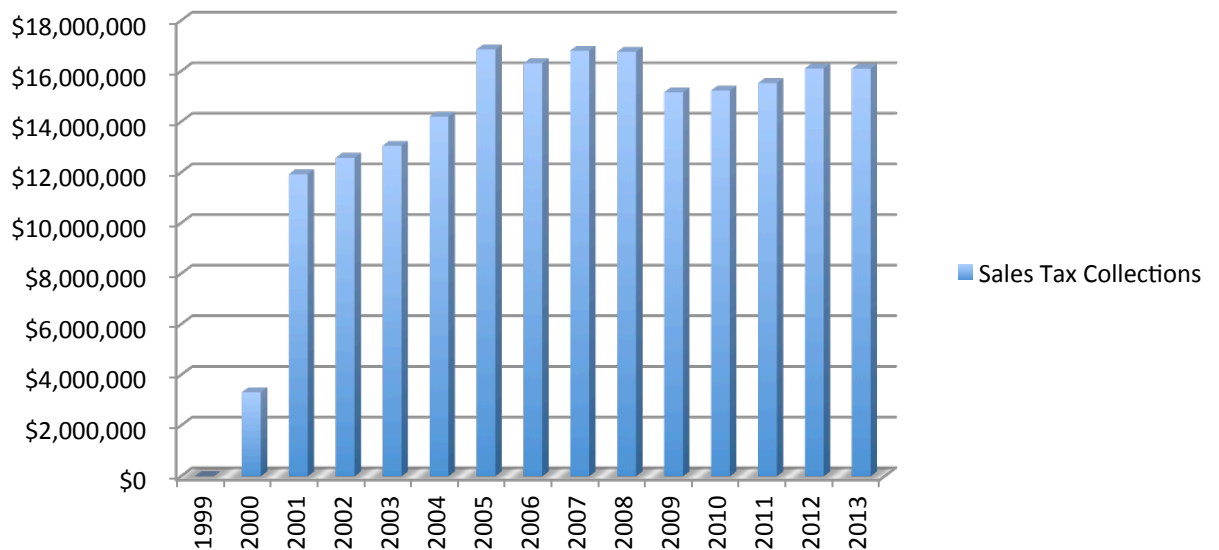
**22,922 sanitation customers*

1999 -2013 Sanitation Expenses

NLR Sanitation



Sales Tax Collections



Sales Tax Comparisons

City	Sales Tax
Benton	2.50%
Texarkana	2.50%
Bentonville	2.00%
Fayetteville	2.00%
Fort Smith	2.00%
Jacksonville	2.00%
Springdale	2.00%
Conway	1.75%
Pine Bluff	1.63%
Hot Springs	1.50%
Jonesboro	1.50%
Little Rock	1.50%
Russellville	1.50%
West Memphis	1.50%
El Dorado	1.25%
Sherwood	1.00%
North Little Rock	1.00%

Sales Tax Revenue Scenarios

Sales Tax Rate	Total Annual Revenue
¼ cent	\$4,000,000
½ cent	\$8,000,000
¾ cent	\$12,000,000
1 cent	\$16,000,000
½ cent over 5 years	\$40,000,000 total